

Exempt manufacturing equipment can include chemicals that meet the conditions set out in 86 Ill. Adm. Code 130.330(c)(6). (This is a GIL).

September 23, 2002

Dear Xxxxx:

This letter is in response to your letter dated July 11, 2002. The nature of your letter and the information you have provided require that we respond with a General Information Letter, which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120(b) and (c), which can be accessed at the Department's Website at <http://www.revenue.state.il.us/Laws/regs/part1200/>.

In your letter, you have stated and made inquiry as follows:

Attached, you will find a copy of your 'Miscellaneous Sales and Use Tax Changes - September 2001'. I have highlighted one of the changes that were made regarding the use of 'chemicals or chemicals acting as catalysts when they produce a direct or immediate change upon a product being manufactured or assembled for wholesale or retail sale or lease'.

I would like to get clarification from your office as to what chemicals are not now subject to tax as it relates to the 'printed circuit board manufacturing industry'.

I have also included another copy of a letter that was sent to you in June. I would appreciate a decision on that item also.

If you need any questions, or need any other information, please get in touch with me. We would like this information to us as soon as possible.

The sale of tangible personal property, including chemicals, in Illinois to end-users is generally subject to Retailers' Occupation and Use Tax liabilities, unless one can document an exemption. In general, Retailers' Occupation Tax does not apply to sales of machinery and equipment used primarily in the manufacturing or assembling of tangible personal property for wholesale or retail sale or lease.

The manufacturing process is the production of articles of tangible personal property, whether such articles are finished products or articles for use in the process of manufacturing or assembling different articles of tangible personal property by procedures commonly regarded as manufacturing, processing, fabricating, or refining which changes some existing material or materials into a material with a different form, use or name. These changes must result from the process in question and be substantial and significant. See 86 Ill. Adm. Code 130.330(b)(2), enclosed.

Effective August 23, 2001, the definition of exempt equipment was expanded to include chemicals or chemicals acting as catalysts but only if the chemicals or chemicals acting as catalysts effect a direct and immediate change upon a product being manufactured or assembled for wholesale or retail sale or lease. This change resulted from Public Act 92-0484. Please see subsection (c)(6) of the enclosed copy of 86 Ill. Adm. Code 130.330 for illustrative examples of chemicals that qualify for the exemption.

Regarding the manufacture of circuit boards, chemicals can qualify if they effect a direct and immediate change upon the product being manufactured for sale or lease. For example, the regulation's first illustrative example of chemicals that qualify for the exemption states as follows:

*Example 1. A chemical acid is used to etch copper off the surface of a printed circuit board during the manufacturing process. The acid causes a direct and immediate change upon the product. The acid qualifies for the exemption. 86 Ill. Adm. Code 130.330(c)(6)(A)*

I hope this information is helpful. The Department of Revenue maintains a Web site, which can be accessed at [www.revenue.state.il.us](http://www.revenue.state.il.us). If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

As indicated in Mr. Charlton's letter of August 26, we would need more information to make a further determination about a particular chemical. If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, you will need to submit all of the information set out in items 1 through 8 of Section 1200.110(b).

Very truly yours,

Karl W. Betz  
Associate Counsel

KWB:msk  
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